# Economic Diversity
July 2026

## Diversification Index

Economic diversification measures the degree to which a state's economy is varied in terms of industries, jobs, and sources of income.

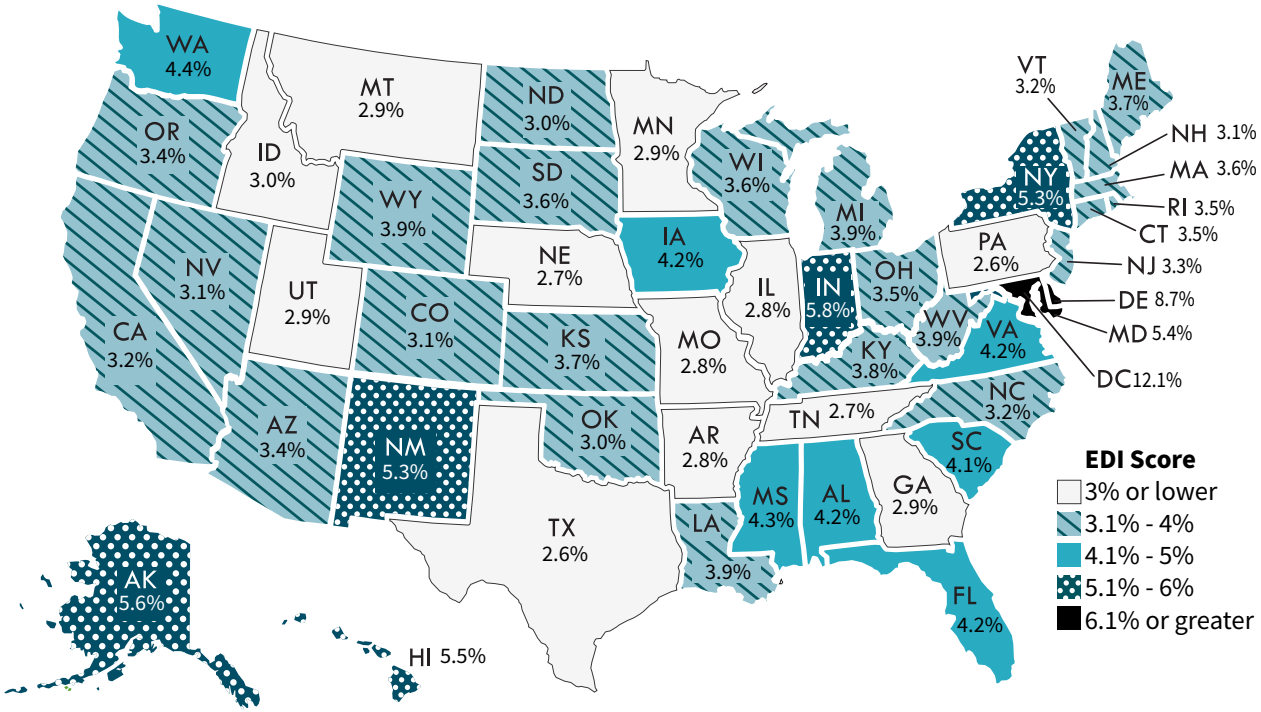
A diversified economy has a variety of industries and is generally considered more resilient because it can manage fluctuations in the business cycle. By contrast, a less diversified economy specializes in only a few industries.

For example, a state with agriculture, manufacturing, technology, and tourism is more economically diverse while a state dependent mostly on one industry (like oil or auto manufacturing) is less diverse and more vulnerable overall if downturns occur in that sector, without other industries to help compensate for the loss and maintain economic stability.

The Herfindahl–Hirschman Index (HHI) is one of the most common methods used to calculate the economic diversity of a state or region. HHI is calculated by squaring each industry's share of GDP and summing the results. A lower HHI indicates a more diversified economy, because activity is spread across multiple industries. A higher HHI indicates reliance on more specialized and less diverse industries.

In 2024, Missouri ranked fifth in the index[1] for economic diversity. Pennsylvania was the most diversified state, followed by Texas and Tennessee. The District of Columbia had the least diversified economy, due to the area's high concentration of government workers. The map below shows each state's 2024 score. States with the most diverse economies scored the lowest.

**Economic Diversification Index 2024**



## Gross Domestic Product

The broadest measure of economic activity is gross domestic product (GDP) [2]. In calculating each state's diversification index, GDP by industry was measured against total state domestic product.

According to the latest annual GDP estimates by the U.S. Bureau of Economic Analysis, Missouri's total GDP increased 4.4 percent from $448.7 billion in 2024 to $468.4 billion in 2025. The state's top five industries are *Real Estate, Rental and Leasing* (12.3% of total GDP); *Manufacturing* (11%); *Government* (10.4%); *Health Care and Social Assistance* (9.6%); and *Finance and Insurance* (7.6%).

**Missouri Industry Current GDP Share**

| Industry | 2025 | 2024 | Change from 2024-2025 |
|---|---|---|---|
| Real Estate & Rental & Leasing | 12.3% | 12.3% | 0.0% |
| Manufacturing | 11.0% | 11.5% | -0.5% |
| Government & Government Enterprises | 10.4% | 10.4% | 0.0% |
| Health Care & Social Assistance | 9.6% | 9.4% | 0.2% |
| Finance & Insurance | 7.6% | 7.3% | 0.3% |
| Wholesale Trade | 7.1% | 6.8% | 0.3% |
| Professional, Scientific, & Technical Services | 7.0% | 7.0% | 0.0% |
| Retail Trade | 7.0% | 7.1% | -0.1% |
| Construction | 4.8% | 4.8% | 0.0% |
| Transportation & Warehousing | 3.5% | 3.5% | 0.0% |
| Information | 3.4% | 3.3% | 0.1% |
| Accommodation & Food Services | 3.1% | 3.2% | -0.1% |
| Administrative & Support & Waste Management & Remediation Services | 3.0% | 3.0% | 0.0% |
| Other Services (except Government & Government Enterprises) | 2.4% | 2.4% | 0.0% |
| Management of Companies & Enterprises | 2.4% | 2.3% | 0.1% |
| Utilities | 1.5% | 1.5% | 0.0% |
| Agriculture, Forestry, Fishing & Hunting | 1.4% | 1.4% | 0.0% |
| Arts, Entertainment, & Recreation | 1.3% | 1.2% | 0.1% |
| Educational Services | 1.2% | 1.2% | 0.0% |
| Mining, Quarrying, & Oil & Gas Extraction | 0.2% | 0.3% | -0.1% |

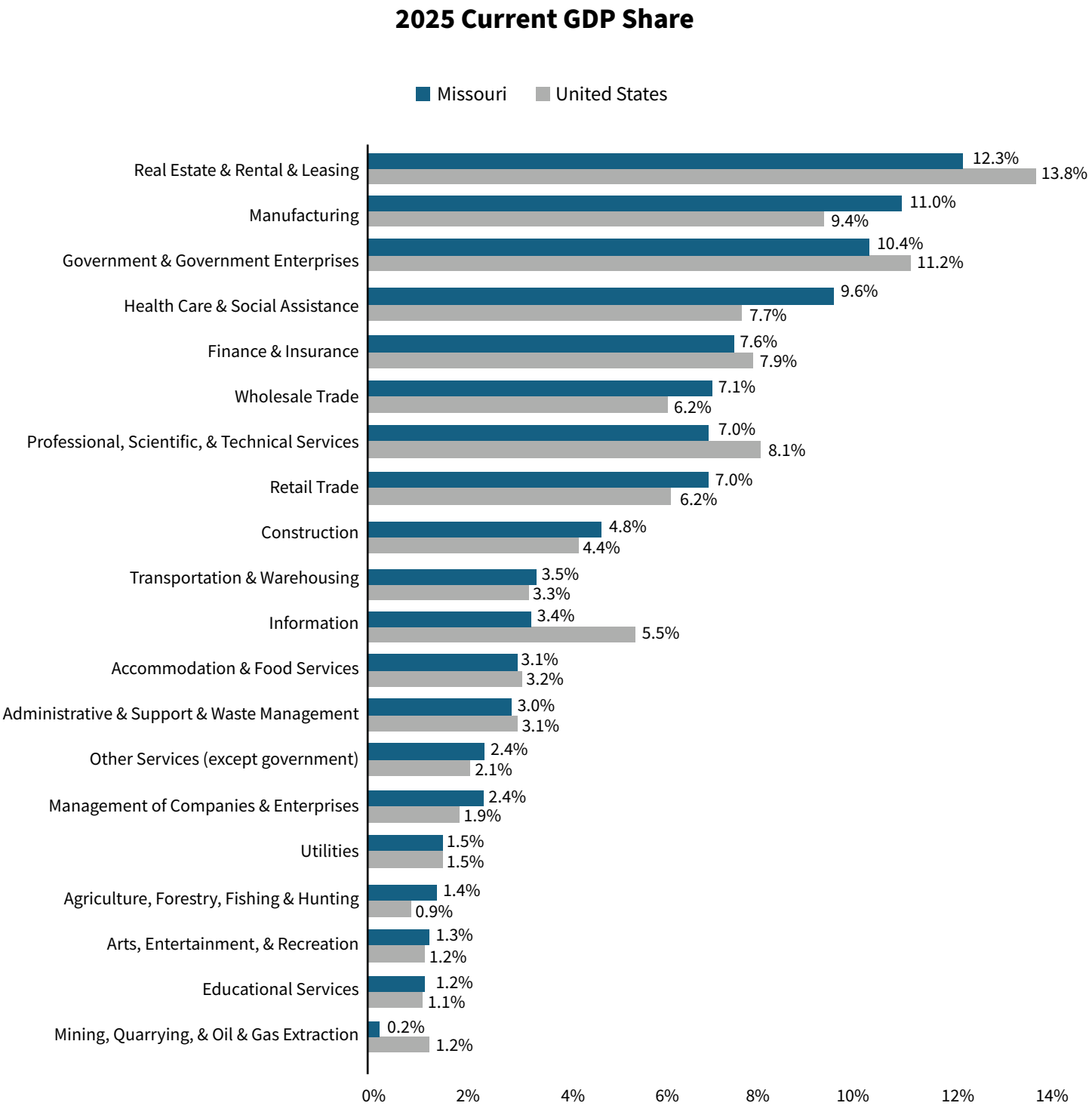
Sorted by 2025 Current (not adjusted for inflation) GDP share.

*Source: Bureau of Economic Analysis*

Most sectors experienced little change in GDP share between 2024 and 2025. *Wholesale Trade* increased 0.3 percentage points from 6.8 percent to 7.1 percent. *Finance & Insurance* also increased by 0.3 percentage points from 7.3 percent to 7.6 percent. *Manufacturing* decreased -0.5 percentage points.

## State Industry Concentration

Industry concentration is another measurement based on industry GDP share analysis. The chart below compares industries across Missouri and the United States to help identify state-level industry concentrations. The industries with the highest GDP share concentrations in Missouri compared to the United States are *Health Care & Social Assistance, Manufacturing*, and *Wholesale Trade*. *Information* had the largest gap in GDP share compared to the U.S. (5.5% vs. 3.4%).




*Source: Bureau of Economic Analysis*

## Notes:

**[1]Diversification Index**
There are several indices available to measure an economy's diversification: Herfindahl, Hachman, and competitive share among others. Data used to construct an index may include employment, earnings, per capita income, capital investment, or gross domestic product. In this brief, a modified Herfindahl Index ($H_i$) based on gross domestic product data was constructed.

$$H_i = \left\{ n\sum_{si} \frac{n}{n-1} \times \left( \left( \frac{GDP_i}{GDP_s} \right) - \left( \frac{1}{n} \right) \right)^2 \right\} * 100$$

Where (n) is the number of industries in the state economy, and $GDP_i$ is the gross domestic product for each industry (i) in the state, and $GDP_s$ is a state's total gross domestic product. The number of industries (n) analyzed in each state (s) is constant. Thus, the analysis focuses on the distribution of GDP. Those states with an index value closer to 0 are more diversified with a more even distribution of output among industries.

**[2]Gross Domestic Product**
A state's gross domestic product (GDP) is estimated by the U.S. Bureau of Economic Analysis. This estimate is the sum of value-added from each industry in the state for a given time period. Value-added is effectively an industry's net revenue: income minus costs of production.

*Sources: Bureau of Economic Analysis. Data accessed June 2026*

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